

# The Treasury

## Submissions on a New Independent Infrastructure Body Information Release

February 2019

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**Feedback by**

**Hamilton City Council Staff**

## **A New Independent Infrastructure Body – Treasury’s October 2018 Consultation Document**

**26 October 2018**

**It should be noted that the following feedback is from staff at Hamilton City Council and does not necessarily represent the views of the Council itself.**

### **1.0 INTRODUCTION**

- 1.1 Hamilton City Council (HCC) staff welcome the opportunity to provide feedback on Treasury’s October 2018 Consultation Document on the proposed formation of a new Independent Infrastructure Body (referred to as the IIB).
- 1.2 We have provided feedback on the survey questions in Treasury’s Consultation Document on the IIB that are of most relevance to HCC.
- 1.3 HCC staff also anticipate Treasury to provide further engagement opportunities for key stakeholders as the proposal to establish an IIB progresses.

### **2.0 KEY MESSAGES**

- 2.1 HCC staff are of the view that the formation of an IIB should build on the extensive work undertaken in this area previously by Treasury’s National Infrastructure Unit and the delivery of the Thirty Year New Zealand Infrastructure Plan 2015.
- 2.2 However, we believe that the IIB needs to be more effective and enduring. It needs a strong mandate to create change (not just to inform and provide information) and to bring strong leadership to support the Government and New Zealand to deliver long-term infrastructure solutions which are successful.
- 2.3 Good decision-making and recommendations made by the IIB should ensure that New Zealand’s infrastructure ultimately results in better communities and an increase in community well-being.
- 2.4 The IIB’s recommendations need to carry weight with both Government and Government departments/agencies, particularly where parties are seen to deviate from a recommended course of action.
- 2.5 The IIB needs to be resourced via a strong governance and executive level structure arrangement.

### **3.0 Question 1: What do you think are essential features of the new independent infrastructure body, so it can deliver on its core purpose to strengthen infrastructure strategy, planning, investment and delivery (note functions are discussed below)?**

- 3.1 HCC staff support the establishment of a new IIB that takes a consistent and evidence-based long-term view on essential infrastructure across central government, local government and the private sector.

- 3.2 The long-term view needs to survive changes in political cycles at both the central and local government level.
- 3.3 The IIB needs to add value to all infrastructure delivery agencies and authorities (including the private sector) by being complementary to their work, but with enough influence and mandate to promote and achieve quality and timely infrastructure investment decisions.
- 3.4 It needs to coordinate and align infrastructure delivery to achieve integration, particularly in high growth areas, with a vision of leading/influencing well planned growth.
- 3.5 The IIB needs to have a focus on full alignment with land use planning agencies and authorities.
- 3.6 It needs to acknowledge local governments significant contribution to both land use and infrastructure planning and delivery and recognise their barriers to delivery.
- 3.7 The IIB must have significant influence/authority, particularly at a central government level, to align other agencies through good strategy and evidence-based analysis.
- 3.8 It must provide confidence to New Zealand's supply chain, including overseas investors/companies, that there is a sustainable and reliable integrated pipeline of investment opportunities that is linked to ongoing development of capability and capacity in the sector.
- 3.9 The IIB must earn the confidence of the sector through regular engagement, good communication and results. This will include significant consultation with sector leaders.
- 3.10 Any strategy must be regularly updated and reviewed, in contrast to the current 2015 Thirty Year New Zealand Infrastructure Plan.
- 3.11 HCC staff are of the view that the IIB should work within Treasury's Living Standards Framework (comprising a 4-capital framework) and that clear links made to the constituent capitals i.e.:
  - Human capital.
  - Natural capital.
  - Financial/physical capital.
  - Social capital (noting that these 4 capitals represent New Zealand's economic capital).
- 3.12 The IIB should promote tools and processes that, as well as being evidenced-based, also focus on identifying and managing benefits from capital investments. A common framework for benefits will allow projects to be more easily linked to the 4 capitals outlined above through business case processes.

#### **4.0 Question 2: What relationship should the independent infrastructure body have with the government?**

- 4.1 The IIB should be required to report to parliament with evidence-based assessment that allows cross-party support to a long-term direction of travel.
- 4.2 The Government should appoint a Board and Executive structure with the appropriate skillset to oversee the work of the IIB.
- 4.3 The Board should comprise a range of sector experts.

#### **5.0 Question 2 (i): In particular, what level and form of independence does the body need to be credible and influential from your perspective?**

- 5.1 The IIB Board needs to be seen as independent of Government and be focused on a long-term vision that will secure cross-party support, in order to win sector confidence.

#### **6.0 Question 2 (ii): Should the level and form of independence vary according to each different function? If yes, please elaborate.**

- 6.1 No. HCC staff are of the view that this would only create another level of complexity to an already complex issue.

**7.0 Question 3: Thinking about the possible functions proposed in this document (listed below), how important is each function on a scale of 1 (not very important) to 5 (essential)?**

7.1 The response from HCC staff around the importance of various functions that the IIB may undertake are outlined below.

<b>Functions to consider and comment on:</b>					
<b>Assess the condition of New Zealand's infrastructure assets</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>Develop a shared understanding of New Zealand's long-term infrastructure strategy</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>Identify New Zealand's highest priority infrastructure needs</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>Identify and comment on the barriers to delivering good infrastructure outcomes</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>Publish long-term capital intentions</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>Act as a 'shop front' for the market including publish a pipeline of infrastructure projects</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>Provide project procurement and delivery support</b>					
Not very important			Essential		
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**Provide best practice guidance on project procurement and delivery**

Not very important		Essential		
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**8.0 Question 4: Are there any other functions, in addition to the proposed list above, which you think the independent infrastructure body should carry out? If so, please rate the importance of each additional function on a scale of 1 (not very important) to 5 (essential).**

- 8.1 The response from HCC staff is outlined below.
- 8.2 **Importance 5:** Needs to broker and resource with expertise (in conjunction with other Government departments such as Treasury/DIA) ways for local authorities to gain access to new funding tools and co-investment opportunities e.g. Transport type Financial Assistance Ratio to 3 Waters investment; private investment opportunities.
- 8.3 **Importance 5:** Has a function to influence the policy development of other Government departments/agencies to provide balanced outcomes, recognising growth is inevitable and that infrastructure is essential.
- 8.4 **Importance 5:** Has a function to streamline decision-making across central government agencies so energy and investment is targeted at delivering services rather than over-planning e.g. Roads of National Significance.
- 8.5 **Importance 5:** Needs to take an outcome-focused business case approach to Infrastructure delivery based on an Intervention of Hierarchies approach:
  - Sound land use planning.
  - Behaviour change.
  - Demand management.
  - Optimisation/Technology.

**9.0 Question 5: In particular, what level and form of independence does the body need to be credible and influential from your perspective? Thinking about each possible function individually (including any additional functions you have listed above) how could the new independent infrastructure body best achieve each function?**

- 9.1 **Assess the condition of New Zealand’s infrastructure Assets**
- 9.2 Assessments need to take a long-term whole of life approach to infrastructure, with a particular focus on 3, 10 and 30 years (ideally 50 plus years) to fit with local government’s infrastructure planning cycle.
- 9.3 There needs to be an independent assessment of infrastructure so that there can be confidence in the data and ensure no surprises-independent assessment may be via risk-based audit.
- 9.4 Assessments need to be useful for long-term strategic planning purposes. They should include a confidence assessment as part of the framework and be at a strategic asset level. The previous metadata standard project for asset data (waters and transport) is driving a level of asset data collection that would be too detailed for a strategic assessment of asset condition.
- 9.5 Consideration should also be given in any strategic assessment of infrastructure to the performance of assets. Assets may be in good condition, but not adequately performing the function for which they exist. This is particularly true in relation to assets that are critical to deliver environmental compliance standards or are subject to significant increases in demand through growth activities.
- 9.6 **Develop a shared understanding of New Zealand’s long-term infrastructure strategy**
- 9.7 Needs to recognise the challenge of integration across a fragmented infrastructure owner and

delivery supply chain.

- 9.8 Will require good consultation and process to earn shared understanding.
- 9.9 **Identify New Zealand's highest priority infrastructure needs**
- 9.10 Will need a clear vision and direction to guide this decision-making.
- 9.11 Any new infrastructure strategy should consider whether there are alternative approaches required for infrastructure in different regions/parts of the country. It is well documented that the challenges for infrastructure are different, depending on the economic context of the region/part of the country. This should be reflected in any strategic document that drives decision-making and investment decisions.
- 9.12 **Identify and comment on the barriers to delivering good infrastructure outcomes**
- 9.13 Needs to not only identify barriers, but it needs to start identifying options to overcome the barriers.
- 9.14 **Publish long-term capital intentions**
- 9.15 Must be current and in a form that is useful for supply chain.
- 9.16 **Act as a 'shop front' for the market including publish a pipeline of infrastructure projects**
- 9.17 Must be current and in a form that is useful for supply chain.
- 9.18 Needs 3 monthly engagement with sector representatives to make sure the pipeline is relevant and useful.
- 9.19 Must be linked to work that monitors development of capability and capacity across the sector due to investment confidence.
- 9.20 **Provide project procurement and delivery support**
- 9.21 No current feedback.
- 9.22 **Provide best practice guidance on project procurement and delivery**
- 9.23 No current feedback.
- 9.24 **Any additional functions you have proposed**
- 9.25 No current feedback.

**10.0 Question 6: How could the new independent infrastructure body best work with local government and the market to help them plan long-term infrastructure?**

- 10.1 HCC staff are of the view that the IIB should seek to understand the land use changes forecasted within growth areas over the next 50 plus years and take an outcome approach in strategic coordination with other government departments/agencies (including Education, Health, Transport, Housing, Treasury, DIA) to assist local government and the private sector in delivering integrated development that is supported by central government.
- 10.2 The 50 plus year timeframe is aligned with the growth horizon of the Hamilton to Auckland Corridor Plan, one of the key initiatives resultant from the Government's five-point programme to address New Zealand's urban growth challenges i.e. the five points being:
- Infrastructure funding and financing.
  - A pro-growth planning system.
  - Road pricing.
  - Spatial planning by central and local government.
  - Legislative reform of the Resource Management Act, Local Government Act and Land Transport Management Act.
- 10.3 The process should be local government led, but well-resourced by the IIB so that it can provide support with central government alignment. It should not be an impediment to growth and development but should be used to ensure Government investments are well aligned and integrated infrastructure solutions delivered.

**11.0 Question 7: How could the new independent infrastructure body best engage with the market?**

11.1 HCC staff suggest that the IIB should work with industry bodies and take advice from these bodies on who to best engage. Suggested bodies include:

- Infrastructure New Zealand.
- Civil Contractors New Zealand.

**12.0 Question 8: In particular, what level and form of independence does the body need to be credible and influential from your perspective? What information should a published pipeline of infrastructure projects include?**

12.1 Information should include the following factors, and ideally be accessible in a live web-updated environment:

- Project description.
- Size of project (indicative).
- Location.
- Current project status in lifecycle.
- When likely to be at market.
- Type of market engagement e.g. contract for design and build.
- Agency responsible.

**13.0 Question 9: What type of support could the new independent infrastructure body provide to the market in order to act as a 'shop front' (Function 6)?**

13.1 No current feedback.

**14.0 Question 10: How could the new independent infrastructure body best assist local government to support and deliver infrastructure projects?**

14.1 HCC staff would benefit from national infrastructure focused information to assist with informed decision-making and delivery of projects. We see the IIB being able to provide us with such information on what is happening in the market, the trends for industry pricing, opportunities for collaborative/aligned delivery of projects and innovative thinking. This will help us deliver infrastructure solutions, resulting in better communities and an increase in community well-being.

14.2 The IIB should be able to provide councils with access to economic and industry analysis on both a national and regional level. Currently, individual councils do not have access to such information.

**15.0 Question 11: Are there any other comments you wish to make? *This could include comments on the form and governance of the new independent infrastructure body.***

15.1 No current feedback.

**16.0 FURTHER INFORMATION**

16.1 Should Treasury require clarification of the above feedback, or additional information, please contact Chris Allen (General Manager Development)<sup>[1]</sup> in the first instance.

Yours faithfully  
[1]

**Richard Briggs**  
**CHIEF EXECUTIVE**